# McIntire Investment Institute Charter

*As of November 12, 2012*

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MISSION STATEMENT
The mission of the McIntire Investment Institute (MII or the Institute) is to provide University of Virginia students with practical education in securities analysis and portfolio management through actual investing experience. The Institute strives to achieve real capital appreciation in excess of selected benchmarks and broad market averages. Working toward these goals will enable the Institute to contribute to the University of Virginia through both financial and educational means for many years to come.

HISTORY
The McIntire Investment Institute was founded by McIntire alumnus (class of ‘85) John Griffin, President of Blue Ridge Capital. Mr. Griffin donated $200,000 to the University in 1994, all of which was earmarked for a student run investment organization. Subsequently, The McIntire School of Commerce Foundation added an additional $100,000 in 1999 and an additional $200,000 in 2000. The funds are deposited into two accounts held by the McIntire School of Commerce Foundation – one for operating activities and one for investing activities. McIntire faculty provides oversight for its activities. MII has made three separate donations of earnings in the amounts of $25,000, $50,000, and $75,000 to the McIntire School of Commerce for various School initiatives.

ORGANIZATION
MII is not a university CIO and is operated as a separate student activity within the McIntire Foundation. Fiduciary responsibility is maintained by the Foundation.

Trades are made within the Investment Guidelines (described below) under the indirect supervision of an appointed faculty advisor.

PHILOSOPHY AND GUIDING PRINCIPLES
The MII mission will best be achieved by focusing on investing while adhering to the following guidelines.

• The Institute seeks to create and pass on a body of investment knowledge.
• The Institute serves to bring together students, faculty, and the business community in a manner that will facilitate the exchange of ideas and experience.
• The Institute should be an open forum where students feel comfortable expressing their investment ideas regardless of their investment background.
• Students are responsible for managing the investment process.
• MII leadership should encourage commitment from all of its members to actively contribute to the long-term success of the Institute.
• The Institute aspires to continually increase its visibility and status at the University.
• The Institute will make trades consistent with the School's goals of inclusiveness and ethics. Information pertaining to MII’s efforts relating to these core values will be included as part of the annual report.
• The Institute is responsible for keeping the MII website current.
• The Institute will maintain a checking account for operating activity expenses.
• The Institute cannot use the operating funds for any expenses not appropriate for an undergraduate activity according to the rules of the University; for example, MII funds cannot be used for alcohol.
• The Institute will provide an operating budget for the current semester to the faculty advisor and the Executive Director of the McIntire Foundation at the beginning of the academic term.
• In the event that MII elects to contribute funds to the School for initiatives of their choosing, the total of any gift may not exceed half the investment profits earned during the current academic year.

GENERAL MEETINGS
The McIntire Investment Institute will hold a General Meeting once a week during the academic year. The purpose of these meetings is to present new investment ideas, review prior investment recommendations, discuss and evaluate current portfolio holdings, and facilitate interaction and networking opportunities with professional firms. While individual meeting agendas will vary, the following is a suggested framework: a Management Update presented by the President, followed by two new Investment Ideas for 20-25 minutes each, separated by an Associate Update presented by a current Associate and a Chalk Talk about a topic relevant to investing presented by a manager for 5 minutes each. The Fund Management Committee and specifically the Vice President shall be held accountable for the thoroughness of research and quality of presentation during these meetings.

ANALYST PROGRAM
Active members of the Institute who present an investment idea during a General Meeting or submit an investment memo to the Fund Management Committee will become Analysts and thereby enter the Analyst Program. While researching their idea, members will be mentored by the Fund Management Committee. It is suggested that members doing research be assigned a particular manager with whom to work.

ASSOCIATE PROGRAM
To be invited to the Associate Program, a member must have presented an investment idea at a MII General Meeting or submitted an investment memo to the Fund Management Committee. MII managers will vote on all applicants, based on the quality of their previous presentations, memos, and a mock associate update memo. It is the prospective associate's responsibility to ensure that MII managers have access to his or her previous MII presentations, memos, and mock associate update memo in a timely manner. Associates are expected to monitor their assigned positions regularly and submit bi-weekly updates to the management team. These updates should highlight key company and industry news, updates on any recently released financial statements, and feedback on how MII's thesis is playing out. They may be invited to present their additional research and analysis at management team meetings. Each associate serves a semester-long term. Incumbent associates need not submit an additional memo or make an additional presentation for reelection; however, they must have demonstrated commitment to the program to remain associates.
FUND MANAGEMENT COMMITTEE

The McIntire Investment Institute will be managed by an independent student organization, with the oversight of the faculty advisor(s). An established Fund Management Committee of nine individuals will make all decisions in managing the portfolio and individual positions. The nine members of the Fund Management Committee are the managers of MII. The Committee will base its investment decisions on the recommendations of student analysts and the managers’ own independent research. Fund managers are expected to do ample research on their own time reading news and following positions. Moreover, all committee members are expected to provide input into current and future holdings and conduct daily research.

Each member of the Fund Management Committee is mutually responsible for the overall performance of the fund. In order to instill greater accountability among members for the performance of portfolio holdings, work done beyond preliminary research should be divided amongst the group. Thus all members will be expected to understand key theses and risks of individual holdings. Naturally, the individual who researched and presented the idea will be held most accountable for coverage of that position, but all managers are expected to be competent with each and every open MII position.

To facilitate effective management of the Institute, the members of the Fund Management Committee will hold designated management positions. The following is an outline of the roles and responsibilities unique to each office. These descriptions are not all inclusive and management may occasionally be asked to perform other functions appropriate of an investment professional and student leader.

PRESIDENT

The President is primarily responsible for coordinating the Fund Management Committee and conducting General Meetings. This ranges from leading weekly committee meetings (discussed further below) to providing investment strategy for the fund. The President is also responsible for facilitating and maintaining relationships with University faculty, student organizations, the Darden Capital Management team, past MII managers, and other professional institutions. The President is responsible for Foundation financial reporting and compliance. At the end of each year, the President will be responsible for creating an MII Annual Report to detail all the occurrences within the Institute that year.

VICE PRESIDENT

The Vice President is responsible for managing and coordinating the MII Analyst and Associate Programs. This includes both maintaining a schedule of presentations for the semester and making sure members are prepared to present on their designated day by helping them through the process of researching their ideas and creating their presentations. The Vice President assists the President in conducting General Meetings.
CHIEF FINANCIAL OFFICER
The Chief Financial Officer is responsible for managing and coordinating all financial activities surrounding the Institute. This includes: opening and closing long and short positions for the fund, compiling and keeping current portfolio records, and financing all official MII expenses. After making trades, the Chief Financial Officer is required to publish this information for all management, specifically the Chief Information Officer who will relay this information to the general membership. The Chief Financial Officer will work with the President, faculty advisor, and Executive Director of the McIntire Foundation to create an operating budget for MII at the beginning of the academic term. It is also the responsibility of the Chief Financial Officer to submit a record of investment transactions and corresponding management votes to the faculty advisor by the seventh day of the month following the respective votes and to relay budget activity and checkbook summaries with an appropriate receipt for each expense to the faculty advisor at the end of each semester.

CHIEF INFORMATION OFFICER
The Chief Information Officer manages the technological aspects of the Institute and coordinates information to the general membership. This includes: maintaining and updating the website, informing membership of upcoming events, and handling all other technical aspects of the Institute. Additionally, The Chief Information Officer is also responsible for sending at least one weekly email conveying information to MII’s members regarding the agenda for the next General Meeting. The position involves a substantial amount of interaction with the general membership and alumni through the weekly emails and announcements, and requires maintenance of communication with the Vice President and the Chief Financial Officer in particular.

CHIEF MARKETING OFFICER
The Chief Marketing Officer is responsible for bolstering attendance by promoting the Institute to students, professors, and professional firms. Weekly meetings are not exclusive but rather are open to the broad undergraduate and graduate student populations. The Chief Marketing Officer is also responsible for assisting the President in managing MII’s relations with various individuals and institutions, and answering questions about membership. The Chief Marketing Officer will assist the President in the creation of the MII Annual Report.

GENERAL MANAGERS
The General Managers are responsible for researching prospective investments, presenting appropriate recommendations, and voting on those recommendations. General Managers should be active in the Institute and display an above-average understanding of investment principles, a high level of motivation, and the temperament needed to make rational decisions during volatile market conditions.
MANAGEMENT ELECTION PROCESS

Only members of MII can run for management positions, either Officer or General Manager. Officers will each have a one year term and General Managers will each have a one semester term following their respective election. Officer elections will take place during the last meeting of the Fall Semester, at which time all Officer and General Manager positions will be subject to election. General Manager elections will take place during the last meeting of the Spring Semester, at which time all General Manager positions will be subject to election. Candidates must prepare a thorough investment memo including a business overview, management description, several thesis points and supporting research, analysis of risk, and thorough value-added research (VAR). Candidates in Officer elections must present a potential long position, and candidates in General Manager elections must present a potential short position. Candidates must briefly present their thesis points and their VAR during the election meeting of each semester as described above. Memos are to be evaluated primarily on quality of analytical thought and VAR. Candidates may join current managers for a casual dinner to discuss the investment ideas. Those managers who are not running for re-election will then meet for an Election Decision Meeting to vote on the new management team. All election decisions will be made with the McIntire Investment Institute Non-Discrimination Policy (as described in the Code of Conduct) in mind. Decisions should be announced to the general MII membership via e-mail immediately after notifying the candidates.

COMMITTEE MEETINGS

The Fund Management Committee will meet at least once a week, in addition to the General Meetings. The purpose of these committee meetings is to monitor portfolio holdings, discuss recent market trends, and generate new ideas. The meetings will be structured around the presentation and review of investment recommendations as well as a comprehensive discussion of current portfolio holdings, formerly held positions and past recommendations. The Fund Management Committee will also address necessary administrative functions during such meetings

Committee members wishing to make recommendations should provide sufficient prior notice to other members before the meeting at which the proposal is to be formally presented. This will provide Committee members with the opportunity to build a base of knowledge ahead of viewing the presentation. Investment recommendations should be comprehensively researched by the presenting member before group meetings. All apparent risks and values of recommendations should be considered before investment decisions are made.

INVESTMENT GUIDELINES

POSITION PROCEDURES

To open or close a position in the portfolio, a majority vote, defined as five or more of the nine managers declaring in the affirmative to the proposed position change, must be reached. If a proposal for the initiation of a new portfolio position fails but earned three or more affirmative votes, then the proposal should be temporarily added to a Watchlist for future visitation.
LONG POSITION PARAMETERS
Individual long positions will be initiated at 2.5% to 5% of the portfolio’s total value and should not exceed 10% of the portfolio’s total value. If the weight of a single long position is in excess of 10% for more than 15 trading days, management must decide to trim MII’s holdings in this position within an additional 2 trading days. If the weight of a long position remains below 2% for more than 15 trading days, management should decide whether the position will be added to and brought back to 2.5% or removed from the portfolio. Total long positions must exceed more than 75% of the portfolio’s total value.

SHORT POSITION PARAMETERS
Individual short positions will be initiated at no more than 1.5% of the portfolio’s total value and shall not exceed 2% of the portfolio’s total value. Total short positions may not exceed more than 15% of the portfolio’s total value.

PAIR TRADE PARAMETERS
A pair trade is defined here as the purposeful initiation and maintenance of a combination of one long position and one short position each in equity securities that both share a specific systemic risk-return profile. The maximum short exposure of a pair trade at initiation will not exceed 3% of the portfolio’s total value. The net market exposure of any pair trade, as measured by subtracting short exposure from long exposure, will be greater than or equal to zero. The weight of a short position included in a pair trade does not contribute to the calculation that determines whether MII’s cumulative short exposure exceeds its maximum value at 15% of the portfolio’s total value.

If the total short exposure of the trade surpasses 4.5% of the portfolio’s total value, management will decide whether to close both positions together or to rebalance the short exposure of the trade to 2% of the portfolio’s total value. Similarly, if the net market exposure, as defined above, decreases below zero, management shall decide whether to close both positions together or to rebalance the trade to the initial net market exposure.

INTERNATIONAL INVESTING
The Fund Management Committee may decide to invest in the equity securities, including American depository shares and foreign publicly-listed stocks, of companies with significant operations outside the United States, including those corporations that maintain their headquarters abroad. In the event that such shares are denominated in a foreign currency, MII will acquire the appropriate currency through a spot transaction solely to facilitate trading the stock and, when possible, will simultaneously hedge the resultant currency risk, as closely as possible, by taking an offsetting position in currency futures that can be rolled forward until the Fund Management Committee decides to unwind the corresponding equity position. If it is determined to be reasonably necessary, the Institute will similarly hedge the currency risk presented by positions in American depository shares.
NEW STRATEGIES
Managers are free to explore new risk management and investment strategies within the general constraints of a traditional long-short strategy and with the express permission of the faculty advisor.

INVESTMENTS WHILE ON WINTER AND SUMMER BREAK
Outside the regular academic term, the Fund Management Committee retains its responsibility for regularly monitoring and communicating relevant updates concerning all portfolio positions. Nonetheless, in order to facilitate prudent risk management, stop loss orders should be set for all short positions apart from pair trades before managers go on winter and summer break.

EQUITY OPTIONS
Put options can be used to replicate the downside payoff from a short position if shares cannot be located, after the position has been approved by the Fund Management Committee.

COMPLIANCE
The managers of MII are both individually and collectively responsible for enforcing the provisions established by this charter and upholding its integrity. The Fund Management Committee shall address any potential grievance, relevant to the institution of this charter, of which they are informed.

In order to prevent any appearance of bias, managers of MII are ineligible from participating as contenders in non-intercollegiate stock pitch competitions that are organized exclusively by the Institute.

All persons should unambiguously declare any potential personal conflicts of interest relevant to their investment recommendations or other responsibilities to MII, including but not limited to presentations by members, advice from associates, and deliberations and duties of managers in the Fund Management Committee. Where a conflict is irresolvable and of inherent significance, such applicable persons may choose, but are not required except when mandated by an external party, to recuse themselves without penalty from their obligations to MII.

CHARTER APPROVAL PROCESS
Any member of MII can recommend a change to the charter, but only managers can formally propose an alteration of the charter. All managers must reach a consensus vote to approve any modification to the charter. The proposed changes then require the approval of the faculty advisor and the Executive Director of the McIntire Foundation before becoming effective.